MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

BAC1034 – PRINCIPLES OF FINANCIAL ACCOUNTING

(All Section / Groups)

28 MAY 2019
2.30 P.M – 4.30 P.M
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages excluding cover page with 4 Questions only.
2. Attempt ALL questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided

QUESTION 1

The following balances have been extracted from the books of Izzany Berhad as at 31 December 2018.

	Debit (RM)	Credit (RM)
Purchases and sales	330,000	735,000
Discount allowed	33,750	
Discount received		8,750
Salaries expenses	112,500	
Marketing cost	7,500	
Insurance expense	27,000	
Telephone and internet charges	3,750	
Rental and maintenance	27,000	
General expenses	41,850	
Share capital-ordinary		600,000
Supplies	82,500	
Carriage outwards	30,000	
Carriage inwards	7,200	
Return inwards	1,500	
Land	575,000	
Copyrights	100,000	
Building	180,000	
Equipments	45,000	
Accumulated Depreciation:		
Building		54,000
Equipments		8,550
6% Loan from CIMB, 15 Years		262,500
Bank overdraft		33,750
Cash	27,000	
Account receivable	92,100	
Inventories, 1 Jan	87,900	
Account payable		40,000
Dividend	45,000	
Retained earnings, 1 Jan		114,000
	1,856,550	**1,856,550**

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Additional information:

1. Closing inventories as at 31 December 2018 was valued at RM30,000.
2. The company has not paid the interest on loan for the year.
3. Depreciation was to be provided:

   Building 2% on straight line method.

   Equipments 4% on reducing balance method
4. Telephone and internet charges outstanding amounted to RM550.
5. A count on supplies on 31 December 2018 revealed RM31,000 worth still on hand.

Required:

a) Prepare the Statement of Profit or Loss for the year ended 31 December 2018. (12 marks)

b) Prepare the Retained Earnings Statement for the year ended 31 December 2018. (4 marks)

c) Prepare the Statement of Financial Position as at 31 December 2018. (9 marks)

(Total 25 marks)

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QUESTION 2

Part A

"A fraud is a dishonest act by the employee that results in personal benefit to the employee at a cost to the employer". Fraud experts often say that there are three primary factors that contribute to employee fraud.

"Companies generally design their systems of internal control to provide reasonable assurance of proper safeguarding of assets and reliability of the accounting records" The concept of reasonable assurance rests on the premise that the costs of establishing control procedures should not exceed their expected benefit.

Required:

1. Identify and discuss the **THREE (3)** principles of internal control. (6 marks)

2. Discuss the **TWO (2)** limitations of internal control. (4 marks)

Part B

Dexter Berhad reports the following information for the month of February 2018.

Date	Description	Units	Unit Cost or Selling Price
1	Beginning inventory	70	34
9	Purchase	110	36
15	Sales	100	45
21	Purchase	120	37
28	Sales	60	50

Required:

1. Calculate the ending inventory, cost of goods sold and gross profit under perpetual inventory system using:
   a) FIFO method. (6 marks)
   b) Weighted Average method. (5 marks)

2. Briefly explain perpetual and periodic inventory system. (4 marks)

(Total 25 marks)

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QUESTION 3

Part A

The financial statements of Natural Holdings Berhad appear below:

Natural Holdings Berhad
Comparative Statements of Financial Position
At 31 December 2018

	2018 RM	2017 RM
Assets		
Property, plant and equipment (net)	260,000	300,000
Inventory	50,000	70,000
Accounts receivable (net)	50,000	30,000
Short-term investments	15,000	60,000
Cash	25,000	40,000
Total Assets	400,000	500,000
Equity & Liabilities		
Share capital – ordinary	150,000	150,000
Retained earnings	110,000	70,000
Bonds payable	80,000	160,000
Accounts payable	20,000	30,000
Short-term notes payable	40,000	90,000
Total Equity & Liabilities	400,000	500,000

Natural Holdings Berhad
Statement of Profit or Loss
For the Year Ended 31 December 2018

	RM
Net sales	400,000
Cost of goods sold	240,000
Gross profit	160,000
Operating expenses	42,000
Income from operations	118,000
Interest expense	18,000
Income before income taxes	100,000
Income tax expense	30,000
Net Income	70,000

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Required

Using the financial statements, compute the following ratios for 2018. Show all workings

(a) Current Ratio
(b) Acid-test Ratio
(c) Account Receivable Turnover
(d) Profit Margin
(e) Inventory Turnover
(f) Return on assets

(15 marks)

Part B

Selected transactions for Ibrahem Berhad are as follows:

1. Stockholders invest RM40,000 in cash in starting a real estate office operating as a corporation.
2. Purchased RM500 of supplies on credit.
3. Purchased equipment for RM25,000, paying RM3,500 in cash and signed a 30- day, RM21,500, note payable.
4. Real estate commissions billed to clients amount to RM4,000.
5. Paid RM700 in cash for the current month's rent.
6. Paid RM250 cash on account for office supplies purchased in transaction 2
7. Received a bill for RM800 for advertising for the current month.
8. Paid RM2,500 check for office salaries.
9. Paid RM1,200 cash dividends to stockholders.
10. Received a check for RM2,000 from a client in payment on account for commissions billed in transaction 4

Required:
Journalize the above transactions in General Journal form. Explanations are not required.

(10 marks)

(Total 25 marks)

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QUESTION 4

The comparative statements of financial position for D'Ratu Berhad appear below:

D'Ratu Berhad
Comparative Statement of Financial Position

	2018	2017
Assets		
Cash	RM38,000	RM13,000
Account receivable	18,000	14,000
Inventory	25,000	15,000
Prepaid insurance	7,000	9,000
Investments	0	18,000
Equipment	60,000	30,000
Accumulated depreciation-Equipment	-18,000	-14,000
Total Assets	**130,000**	**85,000**
Liabilities and Stockholder's equity		
Account payable	25,000	7,000
Bonds payable	37,000	45,000
Share capital -Ordinary	40,000	23,000
Retained earnings	28,000	10,000
Total liabilities and stockholder's equity	**130,000**	**85,000**

Additional information:

1. Net income for the year ending December 31, 2018, was RM30,000.
2. Cash dividends of RM12,000 were declared and paid during the year.
3. Investments that had a book value of RM18,000 were sold for RM13,000.

Required:

Prepare a statement of cash flows for 2018 using the indirect method. (25 marks)

(Total 25 Marks)

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